

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Fort Gratiot	County St. Clair
Fiscal Year End December 31, 2005	Opinion Date February 24, 2006	Date Audit Report Submitted to State May 9, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

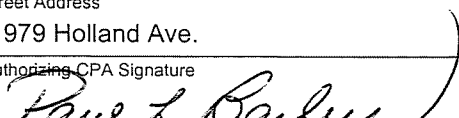
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number 810-984-3829	
Street Address 1979 Holland Ave.		City Port Huron	State MI
Zip 48060			
Authorizing CPA Signature 	Printed Name Paul L. Bailey	License Number 1101014088	

**CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS  
and Supplementary Information**

**FOR THE YEAR ENDED  
DECEMBER 31, 2005**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

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# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the  
Charter Township of Fort Gratiot  
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Charter Township of Fort Gratiot, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Fort Gratiot's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2006 on our consideration of the Charter Township of Fort Gratiot's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 38 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fort Gratiot's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

February 24, 2006

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Charter Township of Fort Gratiot's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

#### *Government-wide Financial Statements*

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental activities** – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

**Business-type activities** – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer operations are treated as business-type activities.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in the Water and Sewer Fund, a proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary Funds** – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

## **FINANCIAL OVERVIEW (Government-wide financial analysis)**

The Township has combined total net assets of 20.2 million. This is an increase over 2004 of 497,739. Government-type activities comprise \$6.4 million, and business-type activities make up \$13.8 million of the total net assets. In a condensed format, the table below shows net assets as of the December 31, 2005 and 2004.

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
<b>Assets</b>				
Current assets	\$ 6,818,913	\$ 6,435,010	\$ 1,310,093	\$ 1,119,075
Restricted assets	66,566	60,861	2,916,932	3,240,125
Noncurrent assets	2,347,450	2,361,594	11,327,970	11,222,725
	<u>9,232,929</u>	<u>8,857,465</u>	<u>15,554,995</u>	<u>15,581,925</u>
<b>Liabilities</b>				
Current liabilities	2,543,417	2,342,662	386,817	322,556
Liabilities payable from restricted assets	-	-	225,916	215,568
Long-term liabilities	244,869	362,521	1,136,338	1,336,447
	<u>2,788,286</u>	<u>2,705,183</u>	<u>1,749,071</u>	<u>1,874,571</u>
<b>Net Assets</b>				
Investment in capital assets, net of related liabilities	2,163,904	2,156,974	11,433,834	10,053,476
Restricted	1,548,614	1,482,740	1,495,152	2,903,806
Unrestricted	2,732,125	2,512,568	876,938	643,264
	<u>6,444,643</u>	<u>6,152,282</u>	<u>13,805,924</u>	<u>13,600,546</u>
Total Net Assets	<u>\$ 6,444,643</u>	<u>\$ 6,152,282</u>	<u>\$ 13,805,924</u>	<u>\$ 13,600,546</u>

The Township governmental activities experienced a net change in assets of \$292,361. The main reason is that the Public Improvement Fund had revenues over expenditures of \$117,937 primarily as a result of a transfer from the General Fund. Also the General, Fire and Police funds had revenues and other sources over expenditures and other uses of \$42,652, \$46,878, and \$29,082 respectively. In addition, capital outlays and principal payment on long-debt exceed depreciation by \$81,810.



The following table shows the changes in net assets for 2005 and 2004.

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Revenues -				
Program revenues:				
Charges for services	\$ 1,364,403	\$ 1,304,435	\$ 2,685,133	\$ 2,296,043
Operating grants and contributions	57,886	46,591	-	-
Capital grants and contributions	-	67,580	387,373	796,639
General revenues				
Property taxes	1,205,438	1,146,628	-	-
Unrestricted grants	852,064	864,487	-	-
Unrestricted investments	152,126	85,401	52,308	34,979
	<u>3,631,917</u>	<u>3,515,122</u>	<u>3,124,814</u>	<u>3,127,661</u>
Program Expenses -				
General government	1,080,505	910,016	-	-
Public safety	1,307,030	1,356,661	-	-
Public works	840,606	736,597	-	-
Recreation and cultural	95,252	109,407	-	-
Other activities	4,554	8,197	-	-
Interest on debt	11,609	17,385	-	-
Water and sewer operations	-	-	2,919,436	2,657,304
	<u>3,339,556</u>	<u>3,138,263</u>	<u>2,919,436</u>	<u>2,657,304</u>
Change in net assets	<u>\$ 292,361</u>	<u>\$ 376,859</u>	<u>\$ 205,378</u>	<u>\$ 470,357</u>

### ***Governmental Activities***

Revenues for governmental activities totaled \$3,631,917 in 2005. Of this amount, \$1,205,438 was received from taxes or special service assessments, which was an increase of \$58,810 from the prior year. The next largest revenue source was state shared revenue of \$739,965, a decrease of \$9,214 from 2004.

### ***Business-type Activities***

The Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$3,124,814 and expenses were \$2,919,436 for a change in net assets of \$205,378. During the year the charges for services increased \$389,090 or approximately 17% as a result of rate increases during the year. In addition capital grants decreased \$409,266 because in 2004 Brace/Tica assessments were levied for approximately \$355,000 that did not reoccur in 2005 and a donated capital of \$140,000 in 2004.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### ***Governmental Fund***

The General fund ended 2005 with a fund balance of \$2,796,058, with \$80,969 reserved for street lighting and prepaid and \$1,736,687 designated for specific purposes. The designations at December 31, 2005 were for accrued vacation and sick of \$56,692, \$700,000 for budget stabilization and \$910,836 for capital improvements, \$50,879 for retirees' health insurance and \$18,280 for park and recreation. The general fund balance increased \$42,652, which is approximately 3% of annual expenditures. Total revenues were \$95,298 more than expected, mainly as a result of interest revenues and expenditures were within \$3,446 of budget. The original and amended budgets expected expenditures over revenues of \$49,200.

The Townships other major governmental funds had the following revenues over (under) expenditures as follows:

- Public Improvement Fund had expenditures over revenues of \$117,937 as a result of a transfer from the General Fund of \$112,000.
- Fire Fund had revenues over expenditure of \$46,878 mainly as a result of charges for fire services to other governmental units being higher then budgeted since the contract was modified.
- The Police Fund had revenues in excess of expenditures of \$29,082 main as a result of additional interest revenues.
- The Garbage Collection Fund had expenditures in excess of revenues of \$4,027, which was covered by a transfer from the General Fund.

The only budget adjustment for the year was to increase Township Hall expenditures by \$30,200 to cover the increase cost of property and liability insurance, health care coverage and COBRA compliance. There were no significant budget adjustments in the other major funds.

### ***Business-type Activities***

As indicated earlier the Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$3,124,814 and expenses were \$2,919,436 for a change in net assets of \$205,378. During the year the charges for services increased \$389,090 or approximately 17% as a result of rate increases during the year. In addition capital grants decreased \$409,266 because in 2004 Brace/Tica assessments were levied for approximately \$355,000 that did not reoccur in 2005 and a donated capital of \$140,000 in 2004.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The Township had \$13.7 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of December 31, 2005. The investment is a capital asset includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year the Township added \$562,700 of capital assets, \$116,886 in the government-activities and \$445,814 in the business-type activities. The governmental activities capital expenditures included the purchase of land for the bike path, the construction of a floating dock and the purchase of new accounting and tax software. Most of the business-type activities were a result final construction of the Brace/Tice sewer and replacing pump stations.

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Land	\$ 707,529	\$ 659,780	\$ -	\$ -
Land improvements	611,503	591,602	-	-
Building and building improvements	675,888	675,888	141,136	141,136
Equipment	1,804,562	1,755,326	831,803	779,818
Water and sewer systems	-	-	18,142,757	17,465,004
Construction in progress	-	-	-	283,875
	<u>3,799,482</u>	<u>3,682,596</u>	<u>19,115,696</u>	<u>18,669,833</u>
Accumulated depreciation	<u>(1,452,032)</u>	<u>(1,452,032)</u>	<u>(7,787,726)</u>	<u>(7,447,107)</u>
	<u>\$ 2,347,450</u>	<u>\$ 2,230,564</u>	<u>\$ 11,327,970</u>	<u>\$ 11,222,726</u>

Additional information on the Township's capital assets can be found in Note 8.

### ***Long-Term Debt***

At December 31, 2005 the Township's had \$1,581,207 in long-term debt compared to \$1,883,968 at December 31, 2004, a decrease of \$302,761 from the prior year. The following table shows the long-term debt at December 31, 2005 and 2004:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Special Assessment Bonds	\$ -	\$ 75,000	\$ 710,000	\$ 800,000
G.O. Bonds	-		580,000	675,000
Capital Leases	183,546	204,620	-	-
Compensated Absences	<u>61,323</u>	<u>82,901</u>	<u>46,338</u>	<u>46,447</u>
	<u>\$ 244,869</u>	<u>\$ 362,521</u>	<u>\$ 1,336,338</u>	<u>\$ 1,521,447</u>

### **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

For 2006, the Township Board adopted balanced budgets for all of the Township funds. The General Fund estimates revenues and expenditures of \$1,512,602, which is approximately a 1% increase from the 2005 actual expenditure. Among other things, during 2006, the Township anticipates paving approximately  $\frac{3}{4}$  miles of bike path, which will be paid by grants and local revenue. In addition, in early 2006, the Township purchased a new rescue unit for the fire department.

### **CONTACTING THE TOWNSHIP**

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 385-4489.

## **BASIC FINANCIAL STATEMENTS**

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 4,098,118	\$ 588,666	\$ 4,686,784
Receivables (net of allowance)	2,623,644	747,864	3,371,508
Internal balance	52,765	( 52,765)	-
Inventory	-	26,328	26,328
Prepaid expenses/deposits	44,386	-	44,386
Restricted Assets -			
Cash and cash equivalents	-	2,229,296	2,229,296
Investments	66,566	-	66,566
Special assessment receivable	-	687,636	687,636
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	707,529	-	707,529
Assets being depreciated	1,639,921	11,327,970	12,967,891
Total Assets	<u>9,232,929</u>	<u>15,554,995</u>	<u>24,787,924</u>
<b>LIABILITIES:</b>			
Payables and accrued liabilities	129,672	386,817	516,489
Accrued interest	9,613	-	9,613
Advances and deposits	89,548	-	89,548
Deferred revenue	2,314,584	-	2,314,584
Liabilities Payable From Restricted Assets			
Accounts Payable	-	9,445	9,445
Bonds payable (current)	-	200,000	200,000
Accrued interest	-	16,471	16,471
Non-current liabilities			
Accrued compensated absences	61,323	46,338	107,661
Due within one year	22,226	-	22,226
Due in more than one year	161,320	1,090,000	1,251,320
Total Liabilities	<u>2,788,286</u>	<u>1,749,071</u>	<u>4,537,357</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	2,163,904	11,433,834	13,597,738
Restricted			
Acquisition/construction of capital assets	1,004,723	1,495,152	2,499,875
Debt retirement	104,298	-	104,298
Cemetery perpetual care			
Nonexpendable	66,566	-	66,566
Other	373,027	-	373,027
Unrestricted	2,732,125	876,938	3,609,063
Total Net Assets	<u>\$ 6,444,643</u>	<u>\$ 13,805,924</u>	<u>\$ 20,250,567</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 1,080,505	\$ 40,991	\$ -	\$ -
Public Safety	1,307,030	848,879	9,161	-
Public Works	840,606	464,779	6,330	-
Recreation and Culture	95,252	3,152	42,395	-
Other Activities	4,554	6,602	-	-
Interest on Long Term Debt	11,609	-	-	-
Total governmental activities	3,339,556	1,364,403	57,886	-
Business type activities				
Utilities (Water/Sewer)	2,919,436	2,685,133	-	387,373
Total Primary Government	6,258,992	4,049,536	57,886	387,373

General revenues:  
Property taxes  
Grants and contribution not-  
restricted to specific programs  
Unrestricted investment income  
Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets		
Governmental Activities	Primary Government	
	Business Type Activities	Total
\$( 1,039,514)	\$ -	\$( 1,039,514)
( 448,990)	-	( 448,990)
( 369,497)	-	( 369,497)
( 49,705)	-	( 49,705)
2,048	-	2,048
( 11,609)	-	( 11,609)
( 1,917,267)	-	( 1,917,267)
-	153,070	153,070
( 1,917,267)	153,070	( 1,764,197)
1,205,438	-	1,205,438
852,064	-	852,064
152,126	52,308	204,434
2,209,628	52,308	2,261,936
292,361	205,378	497,739
6,152,282	13,600,546	19,752,828
\$ 6,444,643	\$ 13,805,924	\$ 20,250,567

# CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2005

	General	Public Improvement	Fire	Police
<b>ASSETS</b>				
<b>Current assets -</b>				
Cash and cash equivalents	\$ 2,591,497	\$ 299,712	\$ 106,560	\$ 193,363
Receivables -				
Property taxes	544,169	-	-	560,576
Interest and accounts	55,976	-	-	-
Special assessments	5,515	-	534,124	-
Due from other governmental units -				
Federal/State	247,569	-	-	-
Due from other funds	18,336	-	-	-
Prepays/deposits	24,686	19,700	-	-
Advance to other funds	-	53,019	-	-
	<u>3,487,748</u>	<u>372,431</u>	<u>640,684</u>	<u>753,939</u>
<b>Restricted assets -</b>				
Investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 3,487,748</u></u>	<u><u>\$ 372,431</u></u>	<u><u>\$ 640,684</u></u>	<u><u>\$ 753,939</u></u>
<b>Liabilities:</b>				
Accounts payable	\$ 56,866	\$ -	\$ 4,593	\$ 43,637
Accrued liabilities	2,582	-	18,579	-
Advances and deposits	85,298	-	4,250	-
Due to other funds	2,775	-	254	-
Deferred revenue	544,169	-	534,124	560,576
	<u>691,690</u>	<u>-</u>	<u>561,800</u>	<u>604,213</u>
<b>Total Liabilities</b>	<u>691,690</u>	<u>-</u>	<u>561,800</u>	<u>604,213</u>
<b>Fund Balances:</b>				
Reserved	80,969	72,719	-	-
Unreserved -				
Designated	1,711,203	-	-	-
Undesignated -				
General Fund	1,003,886	-	-	-
Special Revenue Funds	-	299,712	78,884	149,726
Total Equity	<u>2,796,058</u>	<u>372,431</u>	<u>78,884</u>	<u>149,726</u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 3,487,748</u></u>	<u><u>\$ 372,431</u></u>	<u><u>\$ 640,684</u></u>	<u><u>\$ 753,939</u></u>

The accompanying notes are an integral part of these financial statements.



<u>Garbage Collection</u>	<u>Blue Water Area Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 906,986	\$ 4,098,118
-	261,768	-	1,366,513
-	-	-	55,976
413,947	-	-	953,586
-	-	-	247,569
-	-	2,775	21,111
-	-	-	44,386
-	-	-	53,019
<u>413,947</u>	<u>261,768</u>	<u>909,761</u>	<u>6,840,278</u>
<u>-</u>	<u>-</u>	<u>66,566</u>	<u>66,566</u>
<u>\$ 413,947</u>	<u>\$ 261,768</u>	<u>\$ 976,327</u>	<u>\$ 6,906,844</u>
\$ -	\$ -	\$ 1,616	\$ 106,712
-	-	1,799	22,960
-	-	-	89,548
-	-	18,336	21,365
<u>413,947</u>	<u>261,768</u>	<u>-</u>	<u>2,314,584</u>
<u>413,947</u>	<u>261,768</u>	<u>21,751</u>	<u>2,555,169</u>
-	-	803,156	956,844
-	-	-	1,711,203
-	-	-	1,003,886
-	-	151,420	679,742
<u>-</u>	<u>-</u>	<u>954,576</u>	<u>4,351,675</u>
<u>\$ 413,947</u>	<u>\$ 261,768</u>	<u>\$ 976,327</u>	<u>\$ 6,906,844</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

Fund Balances - total governmental funds		\$	4,351,675
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			3,799,482
Accumulated depreciation		(	1,452,032)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(	61,323)	
Capital lease	(	183,546)	
Accrued interest	(	9,613)	( 254,482)
Net Assets of governmental activities		\$	<u><u>6,444,643</u></u>

The accompanying notes are an integral part of these financial statements.

# CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Public Improvement	Fire	Police
<b>Revenues:</b>				
Taxes	\$ 422,684	\$ -	\$ -	\$ 533,361
Licenses and permits	14,244	-	-	-
Intergovernmental -				
Federal/State	746,295	-	-	9,161
Local	-	-	-	-
Charges for services	140,497	-	39,750	-
Fines and forfeits	15,115	-	-	-
Interest and rent	100,634	5,937	6,202	10,210
Other	99,329	-	504,205	-
Total Revenues	<u>1,538,798</u>	<u>5,937</u>	<u>550,157</u>	<u>552,732</u>
<b>Expenditures:</b>				
Current -				
General Government	1,007,767	-	-	-
Public Safety	27,341	-	471,022	523,650
Public Works	217,572	-	-	-
Recreation and Cultural	83,110	-	-	-
Other Activities	4,554	-	-	-
Debt Service				
Principal	-	-	21,075	-
Interest	-	-	11,182	-
Total Expenditures	<u>1,340,344</u>	<u>-</u>	<u>503,279</u>	<u>523,650</u>
Excess of revenues over (under) expenditures	<u>198,454</u>	<u>5,937</u>	<u>46,878</u>	<u>29,082</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	112,000	-	-
Transfers to other funds	( 155,802)	-	-	-
Total Other Financing Sources (Uses)	<u>( 155,802)</u>	<u>112,000</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	42,652	117,937	46,878	29,082
Fund Balances at beginning of year	<u>2,753,406</u>	<u>254,494</u>	<u>32,006</u>	<u>120,644</u>
Fund Balances at end of year	<u>\$ 2,796,058</u>	<u>\$ 372,431</u>	<u>\$ 78,884</u>	<u>\$ 149,726</u>

The accompanying notes are an integral part of these financial statements.

<u>Garbage Collection</u>	<u>Blue Water Area Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 249,393	\$ -	\$ 1,205,438
-	-	-	14,244
-	-	-	755,456
-	-	42,395	42,395
-	-	289,271	469,518
-	-	-	15,115
-	-	29,143	152,126
370,141	-	3,950	977,625
<u>370,141</u>	<u>249,393</u>	<u>364,759</u>	<u>3,631,917</u>
-	-	76,375	1,084,142
-	-	232,455	1,254,468
374,168	249,393	-	841,133
-	-	67,973	151,083
-	-	-	4,554
-	-	75,000	96,075
-	-	2,862	14,044
<u>374,168</u>	<u>249,393</u>	<u>454,665</u>	<u>3,445,499</u>
<u>( 4,027)</u>	<u>-</u>	<u>( 89,906)</u>	<u>186,418</u>
4,027	-	39,775	155,802
-	-	-	( 155,802)
<u>4,027</u>	<u>-</u>	<u>39,775</u>	<u>-</u>
-	-	( 50,131)	186,418
-	-	1,004,707	4,165,257
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 954,576</u>	<u>\$ 4,351,675</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2005**

Net change in fund balances - total governmental funds		\$	186,418
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			116,886
Depreciation expense		(	131,030)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.			
Principal payments on long term liabilities	96,074		
Decrease in compensated absences	21,578		
Decrease in accrued interest	2,435		120,087
Change in net assets of governmental activities		\$	<u>292,361</u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**DECEMBER 31, 2005**

**ASSETS:**

**Current Assets:**

Cash and cash equivalents	\$ 588,666
Accounts receivable	747,864
Inventory	26,328
Due from other funds	254
Total Current Assets	<u>1,363,112</u>

**Restricted Assets:**

Cash and cash equivalents	2,229,296
Special assessment receivable	<u>687,636</u>
	<u>2,916,932</u>

**Property, Plant and Equipment:**

Buildings	141,136
Equipment	831,802
Mains and extensions	<u>18,142,758</u>
	19,115,696
Less - accumulated depreciation	<u>( 7,787,726)</u>
	<u>11,327,970</u>
Total Assets	<u>15,608,014</u>

**LIABILITIES:**

**Current Liabilities:**

Accounts payable	381,272
Accrued expenses	<u>5,545</u>
Total Current Liabilities	<u>386,817</u>

**Current Liabilities - (Payable from restricted assets):**

Accounts payable	9,445
Bonds payable (current portion)	200,000
Accrued interest	<u>16,471</u>
	<u>225,916</u>

**Long-Term Liabilities (less current portions):**

Bonds payable	1,090,000
Advance from other funds	53,019
Accrued vacation and sick	<u>46,338</u>
Total Long-Term Liabilities	<u>1,189,357</u>
Total Liabilities	<u>1,802,090</u>

**NET ASSETS:**

Investment in capital assets, net of related debt	11,433,834
Reserved -	
Equipment Replacement	1,495,152
Unrestricted	<u>876,938</u>
Total Net Assets	<u>\$ 13,805,924</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**Operating Revenues:**

Licenses and permits	\$ 1,400
Charges for services - user charges	2,642,371
Penalty on delinquent accounts	31,462
Other revenue	9,900
Total Operating Revenues	<u>2,685,133</u>

**Operating Expenses:**

Salaries and fringes	556,961
Water purchases	963,984
Sewer plant charges	756,598
Supplies	54,290
Utilities	43,495
Repairs and maintenance	60,179
Gas and oil	19,623
Professional services	27,467
Other	23,737
Depreciation	340,619
Total Operating Expenses	<u>2,846,953</u>

Operating Income (Loss)	<u>( 161,820)</u>
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**Non-Operating Revenues (Expenses):**

Tap and privilege fees	334,519
Special assessments	3,752
Interest earned on -	
Special assessments and privilege fees	49,102
Cash and investment revenue	52,308
Interest expense and paying agent fees	<u>( 72,483)</u>
Total Non-Operating Revenues (Expenses)	<u>367,198</u>

Net Income	205,378
Net assets at beginning of year	<u>13,600,546</u>
Net Assets end of year	<u><u>\$ 13,805,924</u></u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**Cash Flows From Operating Activities:**

Cash receipts from customers	\$ 2,396,568
Cash payments to suppliers	( 1,862,826)
Cash payments to employees	( 556,852)
Net Cash Used by Operating Activities	<u>( 23,110)</u>

**Cash Flows From Capital and Related**

**Financing Activities:**

Special assessments/tap and privilege fees	551,490
Bond payments	( 259,025)
Acquisition/construction/disposal of capital assets	( 445,864)
Net Cash Used by Capital and Related Financing Activities	<u>( 153,399)</u>

**Cash Flows From Investing Activities:**

Interest earned	<u>101,410</u>
Net Decrease in Cash and Cash Equivalents for the year	( 75,099)
Cash and Cash Equivalents at Beginning of Year	<u>2,893,061</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,817,962</u></u>

**Reconciliation of Net Loss to**

**Net Cash Used by Operating Activities:**

Operating loss for the year	\$( 161,820)
Adjustments to reconcile operating loss to net cash used by operating activities -	
Depreciation	340,619
Change in assets and liabilities:	
Receivables	( 288,312)
Prepaid expenses	26,000
Due from other funds	( 254)
Accounts payable/accrued expenses	61,152
Due to other funds	( 386)
Vacation and sick time	( 109)
Net Cash Used By Operating Activities	<u><u>\$( 23,110)</u></u>

The accompanying notes are an integral part of these financial statements.



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2005**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,481,426
Prepaid expense	45,163
Due from other funds	<u>31,486</u>
 Total Assets	 <u><u>\$ 1,558,075</u></u>
 <b>LIABILITIES:</b>	
Accrued payroll taxes and employee benefits	1,688
Due to other governmental units	11,989
Due to other funds	31,486
Undistributed taxes and interest	<u>1,512,912</u>
 Total Liabilities	 <u><u>\$ 1,558,075</u></u>

The accompanying notes are an integral part of these financial statements.

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Reporting Entity -

The Charter Township of Fort Gratiot, Michigan, a Municipal Corporation, was organized as a Township on June 13, 1866, under provisions of the constitution and general law of the State of Michigan and became a Charter Law Township on August 21, 1979, under Public Act 359, the Charter Township Act. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 16 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 10,800 residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and natural resources, and planning and economic development.

#### B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2004 levy in 2005). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Public Improvement Fund** – is a special revenue fund used to account for non-tax revenue set aside for statutory public improvements.

**Fire Fund** – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

**Police Fund** – is a special revenue fund used to account for a tax levy for the purpose of providing police protection for the Township.

**Garbage Collection Fund** – is a special revenue fund used to account for assessments for the purpose of providing garbage and rubbish collection for the Township.

**Blue Water Area Transportation** – is used to account for the millage and cost of providing transportation services.

The Township reports the following major proprietary fund:

**Utilities (Water and Sewer Fund)** – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Additionally, the Township reports the following fund types:

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

**Debt Service Fund** – is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Fund** – is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).

**Agency Funds** – are used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

# **CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

#### **D. Assets, Liabilities and Net Assets or Equity -**

##### **Deposits and Investments –**

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment trusts/mutual funds have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

##### **Receivables and Payables –**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

##### **Inventories and Prepaid Items –**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items.

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### Property Tax Calendar –

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance (the 2004 levy is recognized in 2005)

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

#### Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	Primary <u>Government</u>
Land improvements	3-60
Buildings and improvements	5-60
Utility systems	60
Machinery and equipment	3-25

#### Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts.

# **CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

#### **Long-Term Obligations –**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Fund Equity –**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Estimates –**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

#### **Budgetary Information –**

The Township Supervisor and the Clerk prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

The Township's approved budgets were adopted at the activity (department) level in the General Fund and the total expenditure level for the Special Revenue Fund. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended December 31, 2005, the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund			
General Government			
Supervisor	\$ 50,490	\$ 56,543	\$ 6,053
Assessor	75,388	86,460	11,072
Clerk's Department	51,459	56,600	5,141
Treasurers' Department	76,583	79,008	2,425
Public Works			
Street Lights	89,400	123,923	34,523
Road Maintenance	50,000	69,318	19,318
Transfers Out	86,556	155,802	69,246
Fire Fund	501,117	503,279	2,162
Garbage Collection Fund	368,310	374,168	5,858
Park Improvement Fund	40,735	67,973	27,238

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2005, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Government</u>	<u>Total</u>
Deposits			
Petty Cash	\$ 600	\$ -	\$ 600
Deposits with Financial Institutions	6,163,651	1,481,426	7,645,077
	<u>6,164,251</u>	<u>1,481,426</u>	<u>7,645,677</u>
Investments			
Stocks	66,566	-	66,566
Mutual Funds	751,829	-	751,829
Total Investments	<u>818,395</u>	<u>-</u>	<u>818,395</u>
Total Deposits and Investment	<u>\$ 6,982,646</u>	<u>\$ 1,481,426</u>	<u>\$ 8,464,072</u>



# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

The Township Board investment policy allows the Township to invest in investment instruments that are legal under Public Act 40 of the Michigan Compiled Laws. The Treasurer is responsible for investing Township funds.

*Custodial Credit Risk* – is the risk that in the event of a bank failure, the Township's deposits or investments may not be returned. The Township investment policy does not address credit risk.

*Interest Rate Risk* – is the risk that the market value of securities of the Township's portfolio will fall due to changes in the market interest rates. The Township investment policy does not address interest rate risk.

*Credit Risk* – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws limit the types on investment and "grades" of investments that the Township can purchase.

*Concentration of Credit Risk* – is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The only restriction is that certificates of deposits cannot exceed \$500,000.

#### **Deposits –**

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of December 31, 2005 the bank balance of the Township's deposits were \$8,584,793 of which \$400,000 was FDIC insured with the balance \$8,184,793 uninsured and uncollateralized.

#### **Investments –**

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

As of December 31, 2005, the Township held the following investments:

	<u>Fair Value</u>	<u>Average Maturity</u>	<u>Investment Type</u>
Munder Mutual Funds (Perpetual Care)			
Money Market	\$ 3,674	N/A	Cash
Mid Cap Growth	8,113	N/A	Equities
Small Cap Value	4,083	N/A	Equities
Large Cap Growth	11,638	N/A	Equities
S&P Small Cap Index Equity	1,969	N/A	Equities
Large Cap Value	9,941	N/A	Equities
Munder Intermediate Bond	22,932	4.3 Years	Bonds
International Equity	4,216	N/A	Foreign Equities
	<u>66,566</u>		
Putman Mutual Funds	<u>751,829</u>	5.23 Year	Governmental Back Mortgages
	<u>\$ 818,395</u>		

The Putman Mutual Funds have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty. The Munder Mutual Funds have been reported as a restricted investment since it is perpetual care revenues that were donated to the Township and use is restricted.

### NOTE 4 –TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2005 levy has a State Equalized Value (SEV) of \$474,584,980 and a taxable value of \$396,982,769.

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 4 –TAXES- (cont'd):

The millage rates levied by the Township for the 2004 levy, 2005 revenues, were .7175 for General Operating, .6394 for the Blue Water Area Transportation service, 1.3373 for Police protection and 1.3544 for Fire Services. In addition the Township levied the following assessments:

	2004 Levy (2005 Revenue)
Lighting District	87,607
Garbage Collection	370,141

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

### NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities
Taxes	\$ 1,366,513	\$ -
Special Assessments	953,586	687,636
Accounts and Interest	55,976	747,864
Intergovernmental	247,569	-
	<u>\$ 2,623,644</u>	<u>\$ 1,435,500</u>

Governmental fund report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the components of deferred revenue and unearned revenue reported in the governmental funds was as follows:

	Unavailable	Unearned
General Fund		
Property Taxes	<u>\$ -</u>	<u>\$ 2,314,584</u>

**CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:**

The composition of interfund balances as of December 31, 2005:

**Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Building Fund	\$ 18,336
Cemetery Fund	General Fund	2,775
Water and Sewer Fund	Fire Fund	<u>254</u>
		<u>\$ 21,365</u>

Transfers From/To Other Funds -		
Cemetery Fund	General Fund	\$ 39,775
Garbage Fund	General Fund	4,027
Public Improvement	General Fund	<u>112,000</u>
		<u>\$ 155,802</u>

**NOTE 7 - INTERFUND ADVANCES:**

Interfund advances described as Advances To/From other fund, reflect long-term amounts due or owed to a particular fund by another fund of the township. These amounts include current portion of long-term loans. A summary of these balances at December 31, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Improvement Revolving	Utilities Fund	<u>\$ 53,019</u>

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 8 - CAPITAL ASSETS:

#### Primary Government

Capital asset activity of the primary government for the year ended December 31, 2005 was as follows:

	Jan. 1, 2005 Balance	Additions	Deletions/ Adjustments	Dec. 31, 2005 Balance
<b>Governmental Activities:</b>				
Capital Asset, not being depreciated:				
Land	\$ 659,780	\$ 47,749	\$ -	\$ 707,529
Capital Assets being depreciated				
Land Improvements	591,602	19,901	-	611,503
Building and improvements	675,888	-	-	675,888
Machinery and equipment	1,755,326	49,236	-	1,804,562
Total capital assets being depreciated	<u>3,022,816</u>	<u>69,137</u>	<u>-</u>	<u>3,091,953</u>
Less accumulated depreciation				
Land Improvements	110,773	28,817	-	139,590
Building and improvements	276,448	14,957	-	291,405
Machinery and equipment	933,781	87,256	-	1,021,037
Total accumulated depreciation	<u>1,321,002</u>	<u>131,030</u>	<u>-</u>	<u>1,452,032</u>
Total capital assets being depreciated, net	<u>1,701,814</u>	<u>(61,893)</u>	<u>-</u>	<u>1,639,921</u>
Governmental activities capital assets, net	<u>\$ 2,361,594</u>	<u>\$ (14,144)</u>	<u>\$ -</u>	<u>\$ 2,347,450</u>
<b>Business Type Activities:</b>				
Capital Asset, not being depreciated:				
Construction in progress	\$ 283,875	\$ -	\$ 283,875	\$ -
Capital Assets being depreciated				
Building and improvements	141,136	-	-	141,136
Utility systems	17,465,004	677,753	-	18,142,757
Equipment	779,818	51,985	-	831,803
Total capital assets being depreciated	<u>18,385,958</u>	<u>729,738</u>	<u>-</u>	<u>19,115,696</u>
Less accumulated depreciation				
Building and improvements	118,039	1,345	-	119,384
Utility systems	6,730,459	287,949	-	7,018,408
Equipment	598,609	51,325	-	649,934
Total accumulated depreciation	<u>7,447,107</u>	<u>340,619</u>	<u>-</u>	<u>7,787,726</u>
Total capital assets being depreciated, net	<u>10,938,851</u>	<u>389,119</u>	<u>-</u>	<u>11,327,970</u>
Business activities capital assets, net	<u>\$ 11,222,726</u>	<u>\$ 389,119</u>	<u>\$ 283,875</u>	<u>\$ 11,327,970</u>

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 8 - CAPITAL ASSETS – (cont'd):

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 44,980
Public Safety	68,851
Recreation and Culture	<u>17,199</u>
Total depreciation expense- governmental activities	<u>\$ 131,030</u>
Business-type activities	
Water and Sewer Operation	<u>\$ 340,619</u>

### NOTE 9 - LONG-TERM DEBT:

The following is a summary of changes in long-term liabilities (including current portion) of the Primary Government for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Reductions	Balance Dec. 31, 2005	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable - 1990 Special					
Assessment Bonds	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -
Fire Truck Capital Lease	204,620	-	21,074	183,546	22,226
Accrued Vacation and Sick Pay	<u>82,901</u>	<u>-</u>	<u>21,578</u>	<u>61,323</u>	<u>-</u>
	<u>362,521</u>	<u>-</u>	<u>117,652</u>	<u>244,869</u>	<u>22,226</u>
<b>Business-type Activities:</b>					
1995 General Obligation Limited					
Tax Bonds	\$ 250,000	\$ -	\$ 50,000	\$ 200,000	\$ 50,000
1995 Special Assessment bonds	440,000	-	90,000	350,000	90,000
1999 General Obligation Limited					
Tax Bonds	425,000	-	45,000	380,000	45,000
2004 Special Assessment Bonds	360,000	-	-	360,000	15,000
Accrued Vacation and Sick Pay	<u>46,447</u>	<u>-</u>	<u>109</u>	<u>46,338</u>	<u>-</u>
	<u>1,521,447</u>	<u>-</u>	<u>185,109</u>	<u>1,336,338</u>	<u>200,000</u>
	<u>\$ 1,883,968</u>	<u>\$ -</u>	<u>\$ 302,761</u>	<u>\$ 1,581,207</u>	<u>\$ 222,226</u>

**CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 9 - LONG-TERM DEBT –(cont'd):**

Significant details regarding outstanding long-term liabilities (including current portions) are presented as follows:

**Fire Truck Lease-**

The Township entered into a lease purchase agreement for a fire truck in the amount of \$224,602 on January 15, 2003. Payments are due in annual installments of \$32,257, which includes interest of 5.45 percent payable annually through January 15, 2012.

\$ 183,546

**Utilities System-**

The Township has also issued four bond issues for the purpose of water and sewer main extensions. The bonds are to be repaid from special assessments and capital charges.

The \$495,000 1995 General Obligation Limited Tax Bonds, dated February 1, 1995, due in annual installments of \$50,000 through October 1, 2009, with interest ranging from 5.50 to 5.90 percent, payable semi-annually.

\$ 200,000

The \$1,240,000 1995 Special Assessment Bonds, dated February 1, 1995, due in annual installments ranging from \$85,000 to \$90,000 through October 1, 2009, with interest ranging from 5.50 to 5.90 percent, payable semi-annually.

350,000

The \$595,000 1999 General Obligation Limited Tax Bonds, dated November 1, 1999, due in annual installments ranging from \$40,000 to \$45,000 through April 1, 2014, with interest ranging from 4.65 to 5.50 percent, payable semi-annually.

380,000

The \$360,000 2004 Special Assessment Bonds, dated November 15, 2004, due in annual installments ranging from \$15,000 to \$25,000 through April 1, 2024, with interest ranging from 3.9 to 4.6 percent, payable semi-annually.

360,000

\$ 1,290,000

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 9 - LONG-TERM DEBT – (cont'd):

#### Accrued Vacation and Sick Pay -

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The Governmental Fund portion of \$61,323 as well as the Enterprise Fund portion of \$46,338 has been recorded in the government-wide financial statements as a long-term liability.

\$ 107,661

\$ 3,278,047

#### Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2005, for the following bonds, contracts and leases, (excluding accrued vacation and sick) of the Primary Government:

Year	Special Assessment Bonds		G.O Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 150,000	\$ 53,024	\$ 50,000	\$ 1,150	\$ 22,226	\$ 10,031
2007	150,000	45,239	50,000	8,700	23,441	8,816
2008	140,000	37,443	50,000	5,850	24,722	7,535
2009	140,000	29,938	50,000	2,950	26,073	6,184
2010	55,000	22,318	-	-	27,498	4,759
2011-15	260,000	70,269	-	-	59,586	4,927
2016-20	100,000	31,790	-	-	-	-
2021-24	95,000	8,973	-	-	-	-
	<u>\$1,090,000</u>	<u>\$ 298,994</u>	<u>\$ 200,000</u>	<u>\$ 18,650</u>	<u>\$ 183,546</u>	<u>\$ 42,252</u>

### NOTE 10 - SEWAGE DISPOSAL SYSTEM AGREEMENT:

The Charter Township of Fort Gratiot does not operate or own a Sanitary Sewage Disposal Plant; instead, the Township/County has entered into an agreement with the City of Port Huron to accept and dispose of the Township's sanitary sewage. The agreement provides, among other things, that the City shall reserve a capacity of 8.02 million gallons per day (MGD) in the sewage treatment plant, for which the Township has made a lump sum payment. Further, the Township shall reimburse the City for its respective share of the annual operating costs, including capital purchases and debt retirement.

In connection, the City of Port Huron has issued \$10,220,000 of bonds to make improvements and renovations to the plant. As noted above, the cost to repay these bonds are included in the annual operation cost from the City. Should the Township terminate the contract, the Township would be responsible for their share of the outstanding bonds, which at December 31, 2005, would amount to \$1,301,346.



# **CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005**

### **NOTE 11 - WATER SUPPLY SYSTEM AGREEMENT:**

The Charter Township of Fort Gratiot does not own a water filtration plant; instead, the Township/County has entered into an agreement with the City of Port Huron to provide the Township's water supply. Under the agreement, dated October 16, 1968, the Township/County agreed to purchase various minimum quantities at such rates as the City may establish and is reasonable, plus a metered service charge. The contract is for an indefinite period but it may be terminated by either party upon one year written notice.

### **NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 9% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions of 5-10%. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended December 31, 2005, the Township contributed \$76,643, and the employees contributed \$35,731.

### **NOTE 13 - POST RETIREMENT BENEFITS:**

In addition to the pension benefits described in Note 12, the Charter Township of Fort Gratiot provides 60% of the health insurance premium for any employee that retires with a minimum of 10 years of continued employment with the Township. Expenditure for post-retirement health care benefits are recognized on a pay-as-you-go basis and amounted to \$38,646 for five employees for 2005.

### **NOTE 14 - RESTRICTED ASSETS:**

The restricted assets of \$66,566 in the Cemetery Fund for perpetual care and \$2,916,932 in the Utilities Fund are for capital improvements/debt retirement.

### **NOTE 15 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:**

#### **Reserved Fund Balance/Retained Earnings -**

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

**CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 15 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS – (cont'd):**

Fund Balance -		
General Fund	Street Lights	\$ 56,283
	Prepaid/Deposits	24,686
Special Revenue Fund -		
Cemetery	Perpetual Care	66,566
Public Improvement	Prepays/Advance	72,719
Debt Service Fund -		
M-25 Debt	Debt Service	104,298
Capital Projects Fund -		
Municipal Building	Capital Projects	<u>632,292</u>
		<u>\$ 956,844</u>
Retained Earnings -		
Water and Sewer Fund	Equipment Replacement	\$ 1,495,152
	Debt Retirement	<u>105,864</u>
		<u>\$ 1,601,016</u>

**Designated Fund Balance -**

The Township board has the power to designate or set aside all or a portion of unreserved Fund Balance for specific purposes. The following is a summary of Board Designations at December 31, 2005:

General Fund	Capital Improvements	900,000
	Budget Stabilization	700,000
	Retirees Health Insurance	50,879
	Accrued Vacation and Sick	56,692
	Parks and Recreation	<u>3,632</u>
		<u>1,711,203</u>

**NOTE 16 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limit of coverage's be exceeded.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF FORT GRATIOT****St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 382,125	\$ 412,325	\$ 422,684	\$ 10,359
Licenses and permits	-	-	14,244	14,244
Intergovernmental	763,375	763,375	746,295	( 17,080)
Charges for services	109,000	109,000	140,497	31,497
Fines and forfeits	12,000	12,000	15,115	3,115
Interest and rent	45,000	45,000	100,634	55,634
Other revenues	101,800	101,800	99,329	( 2,471)
Total Revenues	<u>1,413,300</u>	<u>1,443,500</u>	<u>1,538,798</u>	<u>95,298</u>
<b>Expenditures:</b>				
General Government -				
Legislative	10,996	10,996	10,996	-
Supervisor	50,490	50,490	56,543	( 6,053)
Elections	15,000	15,000	9,153	5,847
Assessor	75,388	75,388	86,460	( 11,072)
Clerk's Department	51,459	51,459	56,600	( 5,141)
Board of Review	1,725	1,725	1,502	223
Treasurer's Department	76,583	76,583	79,008	( 2,425)
Township Hall	765,552	795,752	727,965	67,787
	<u>1,047,193</u>	<u>1,077,393</u>	<u>1,028,227</u>	<u>49,166</u>
Less: Reimbursement from other funds	<u>-</u>	<u>-</u>	<u>( 20,460)</u>	<u>20,460</u>
	<u>1,047,193</u>	<u>1,077,393</u>	<u>1,007,767</u>	<u>69,626</u>
Public Safety -				
Planning Commission	25,500	25,500	12,176	13,324
Zoning Board	15,165	15,165	15,165	-
	<u>40,665</u>	<u>40,665</u>	<u>27,341</u>	<u>13,324</u>
Public Works -				
Street lights	89,400	89,400	123,923	( 34,523)
Road maintenance and construction	50,000	50,000	69,318	( 19,318)
Drains at large and watershed	35,000	35,000	24,331	10,669
	<u>174,400</u>	<u>174,400</u>	<u>217,572</u>	<u>( 43,172)</u>
Health and Welfare -				
Ambulance Service	12,296	12,296	4,554	7,742

Continued

**CHARTER TOWNSHIP OF FORT GRATIOT****St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
<b>Expenditures - (cont'd):</b>				
Recreation and Cultural -				
Parks and Recreation	\$ 30,600	\$ 30,600	\$ 26,968	\$ 3,632
Buildings and Grounds	70,790	70,790	56,142	14,648
	<u>101,390</u>	<u>101,390</u>	<u>83,110</u>	<u>18,280</u>
 Total Expenditures	 <u>1,375,944</u>	 <u>1,406,144</u>	 <u>1,340,344</u>	 <u>65,800</u>
 Excess of revenues over (under) expenditures	 37,356	 37,356	 198,454	 161,098
 <b>Other Financing Uses:</b>				
Transfers out	( 86,556)	( 86,556)	( 155,802)	( 69,246)
 Excess of revenues over (under) expenditures and other uses	 ( 49,200)	 ( 49,200)	 42,652	 91,852
 Fund Balance at beginning of year	 <u>2,753,406</u>	 <u>2,753,406</u>	 <u>2,753,406</u>	 <u>-</u>
 Fund Balance at end of year	 <u><u>\$ 2,704,206</u></u>	 <u><u>\$ 2,704,206</u></u>	 <u><u>\$ 2,796,058</u></u>	 <u><u>\$ 91,852</u></u>

Concluded

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**PUBLIC IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Interest on investments	4,000	4,000	5,937	1,937
<b>Expenditures:</b>				
Capital Outlay -	-	-	-	-
Excess of revenues over (under) expenditures	4,000	4,000	5,937	1,937
<b>Other Financing Sources:</b>				
Transfers in	112,000	112,000	112,000	-
Excess of revenues and other sources over (under) expenditures	116,000	116,000	117,937	1,937
Fund Balance at beginning of year	254,494	254,494	254,494	-
Fund Balance at end of year	\$ 370,494	\$ 370,494	\$ 372,431	\$ 1,937

**CHARTER TOWNSHIP OF FORT GRATIOT****St. Clair County, Michigan****FIRE FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Assessments	\$ 491,117	\$ 491,117	\$ 503,169	\$ 12,052
Charges for services	-	10,000	39,750	29,750
Donation	-	-	1,000	1,000
Interest	-	-	6,202	6,202
Other	-	-	36	36
	<u>\$ 491,117</u>	<u>\$ 501,117</u>	<u>550,157</u>	<u>49,040</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries	339,759	340,259	336,918	3,341
Fringe benefits	60,460	60,460	63,199	( 2,739)
Supplies	8,000	8,500	8,858	( 358)
Uniforms	6,000	4,000	3,553	447
Gas and oil	3,000	4,000	4,962	( 962)
Communications	2,700	2,700	2,563	137
Utilities	7,000	6,500	8,467	( 1,967)
Repairs and maintenance	17,500	30,000	31,706	( 1,706)
Education and training	4,200	3,200	2,101	1,099
Miscellaneous	3,540	3,540	3,393	147
Capital Outlay	6,700	5,700	5,302	398
Debt Service	32,258	32,258	32,257	1
	<u>491,117</u>	<u>501,117</u>	<u>503,279</u>	<u>( 2,162)</u>
Excess of revenues over expenditures	-	-	46,878	46,878
Fund Balance at beginning of year	<u>32,006</u>	<u>32,006</u>	<u>32,006</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,884</u>	<u>\$ 46,878</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**POLICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 531,000	\$ 531,000	\$ 533,361	\$ 2,361
Intergovernmental -				
State	7,964	7,964	9,161	1,197
Interest and rent	3,600	3,600	10,210	6,610
	<u>542,564</u>	<u>542,564</u>	<u>552,732</u>	<u>10,168</u>
<b>Expenditures:</b>				
Public Safety -				
Contracted services	528,126	528,126	523,650	4,476
Excess of revenues over (under)				
expenditures	14,438	14,438	29,082	14,644
Fund Balance at beginning of year	<u>120,644</u>	<u>120,644</u>	<u>120,644</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 135,082</u></u>	<u><u>\$ 135,082</u></u>	<u><u>\$ 149,726</u></u>	<u><u>\$ 14,644</u></u>



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**GARBAGE COLLECTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Assessments	\$ 368,310	\$ 368,310	\$ 370,141	\$ 1,831
<b>Expenditures:</b>				
Public Works -				
Contracted services	368,310	368,310	374,168	(5,858)
Excess of revenues under expenditures	-	-	( 4,027)	( 4,027)
<b>Other Financing Sources:</b>				
Transfers in	-	-	4,027	4,027
Excess of revenues and other sources over expenditures	-	-	-	-
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CHARTER TOWNSHIP OF FORT GRATIOT****St. Clair County, Michigan****BLUE WATER AREA TRANSPORTATION FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 249,917	\$ 249,917	\$ 249,393	\$ ( 524)
<b>Expenditures:</b>				
Public Works - Transportation	249,917	249,917	249,393	524
Excess of revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

		Special Revenue Funds		
		Cemetery	Park Improvement	Inspections
<b>ASSETS</b>				
<b>Current assets -</b>				
Cash and cash equivalents	\$	4,473	\$ 66,001	\$ 98,851
Due from other funds		2,775	-	-
		<u>7,248</u>	<u>66,001</u>	<u>98,851</u>
<b>Restricted assets -</b>				
Investments		<u>66,566</u>	<u>-</u>	<u>-</u>
Total Assets	\$	<u><u>73,814</u></u>	<u><u>66,001</u></u>	<u><u>98,851</u></u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$	88	\$ -	\$ 1,528
Accrued liabilities		157	-	571
Due to other funds		-	-	18,336
Total Liabilities		<u>245</u>	<u>-</u>	<u>20,435</u>
<b>Fund Balance:</b>				
Reserved -				
Debt Services		-	-	-
Capital Projects		-	-	-
Perpetual Care		66,566	-	-
Unreserved -				
Undesignated		<u>7,003</u>	<u>66,001</u>	<u>78,416</u>
Total Fund Balance		<u><u>73,569</u></u>	<u><u>66,001</u></u>	<u><u>78,416</u></u>
Total Liabilities and Fund Balance	\$	<u><u>73,814</u></u>	<u><u>66,001</u></u>	<u><u>98,851</u></u>

Debt Service Fund	Capital Projects Fund	
M-25 Debt Service	Municipal Building	Total
\$ 105,369	\$ 632,292	\$ 906,986
-	-	2,775
105,369	632,292	909,761
-	-	66,566
\$ 105,369	\$ 632,292	\$ 976,327

\$ -	\$ -	\$ 1,616
1,071	-	1,799
-	-	18,336
1,071	-	21,751

104,298	-	104,298
-	632,292	632,292
-	-	66,566
-	-	151,420
104,298	632,292	954,576
\$ 105,369	\$ 632,292	\$ 976,327

# CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds		
	Cemetery	Park Improvement	Inspections
<b>Revenues:</b>			
Intergovernmental -			
Local	\$ -	\$ 40,540	\$ 1,855
Charges for services	26,077	-	263,194
Interest and rent	6,623	2,773	1,447
Other	3,950	-	-
Total Revenues	<u>36,650</u>	<u>43,313</u>	<u>266,496</u>
	-		
<b>Expenditures:</b>			
Current -			
General Government	69,175	-	-
Public Safety	-	-	232,455
Recreation and Cultural	-	67,973	-
Debit Service	-	-	-
Principal	-	-	-
Interest and charges	-	-	-
Total Expenditures	<u>69,175</u>	<u>67,973</u>	<u>232,455</u>
Excess of revenues over (under) expenditures	( 32,525)	( 24,660)	34,041
<b>Other Financing Sources:</b>			
Transfers In	<u>39,775</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	7,250	( 24,660)	34,041
Fund Balances at beginning of year	<u>66,319</u>	<u>90,661</u>	<u>44,375</u>
Fund Balances at end of year	<u>\$ 73,569</u>	<u>\$ 66,001</u>	<u>\$ 78,416</u>

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
<u>M-25 Debt Service</u>	<u>Municipal Building</u>	<u>Total</u>
\$ -	\$ -	\$ 42,395
-	-	289,271
2,831	15,469	29,143
-	-	3,950
<u>2,831</u>	<u>15,469</u>	<u>364,759</u>
7,200	-	76,375
-	-	232,455
-	-	67,973
75,000	-	75,000
<u>2,862</u>	<u>-</u>	<u>2,862</u>
<u>85,062</u>	<u>-</u>	<u>454,665</u>
( 82,231)	15,469	( 89,906)
<u>-</u>	<u>-</u>	<u>39,775</u>
( 82,231)	15,469	( 50,131)
<u>186,529</u>	<u>616,823</u>	<u>1,004,707</u>
<u>\$ 104,298</u>	<u>\$ 632,292</u>	<u>\$ 954,576</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**CEMETERY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services -				
Grave openings	\$ 25,960	\$ 25,960	\$ 25,377	\$( 583)
Other	850	850	700	( 150)
Interest and rent -				
Interest on investments	2,500	2,500	6,623	4,123
Other revenue -				
Sale of lots	5,500	5,500	3,950	( 1,550)
	<u>34,810</u>	<u>34,810</u>	<u>36,650</u>	<u>1,840</u>
<b>Expenditures:</b>				
General Government -				
Salaries	41,000	41,000	41,385	( 385)
Fringe benefits	20,000	20,000	18,954	1,046
Professional fees	600	600	600	-
Utilities	800	800	529	271
Repairs and maintenance	6,195	6,195	4,243	1,952
Miscellaneous	905	905	1,204	( 299)
Capital Outlay	2,500	2,500	2,260	240
	<u>72,000</u>	<u>72,000</u>	<u>69,175</u>	<u>2,825</u>
Excess of revenues under expenditures	( 37,190)	( 37,190)	( 32,525)	4,665
<b>Other Financing Sources:</b>				
Transfers in	<u>37,190</u>	<u>37,190</u>	<u>39,775</u>	<u>2,585</u>
Excess of revenues and other financing sources over expenditures	-	-	7,250	7,250
Fund Balance at beginning of year	<u>66,319</u>	<u>66,319</u>	<u>66,319</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 66,319</u>	<u>\$ 66,319</u>	<u>\$ 73,569</u>	<u>\$ 7,250</u>



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**PARK IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
Local	\$ 39,345	\$ 39,345	\$ 40,540	\$ 1,195
Interest and rent -				
Interest on investment	1,400	1,400	2,773	1,373
	<u>40,745</u>	<u>40,745</u>	<u>43,313</u>	<u>2,568</u>
<b>Expenditures:</b>				
Recreation and Cultural	-	-	216	( 216)
Capital Outlay	40,735	40,735	67,757	( 27,022)
	<u>40,735</u>	<u>40,735</u>	<u>67,973</u>	<u>( 27,238)</u>
Excess of revenues over (under) expenditures	10	10	( 24,660)	( 24,670)
Fund Balance at beginning of year	<u>90,661</u>	<u>90,661</u>	<u>90,661</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 90,671</u></u>	<u><u>\$ 90,671</u></u>	<u><u>\$ 66,001</u></u>	<u><u>\$( 24,670)</u></u>

**CHARTER TOWNSHIP OF FORT GRATIOT**

**St. Clair County, Michigan**

**INSPECTIONS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Building permits	\$ 115,000	\$ 136,500	\$ 169,396	\$ 32,896
Electrical permits	45,000	45,000	46,098	1,098
Mechanical permits	25,000	25,000	14,725	(10,275)
Plumbing permits	-	-	32,975	32,975
Intergovernmental -				
Local	26,760	26,760	1,855	(24,905)
Interest	-	-	1,447	1,447
	<u>\$ 211,760</u>	<u>\$ 233,260</u>	<u>\$ 266,496</u>	<u>\$ 33,236</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries	115,449	136,949	151,108	(14,159)
Fringe benefits	62,720	62,720	47,634	15,086
Supplies	2,000	2,000	1,909	91
Transportation	6,170	6,170	4,658	1,512
Communications	3,000	3,000	2,481	519
Administrative fees	20,460	20,460	20,460	-
Education and training	4,000	4,000	2,319	1,681
Miscellaneous	830	830	1,886	(1,056)
	<u>214,629</u>	<u>236,129</u>	<u>232,455</u>	<u>3,674</u>
Excess of revenues over (under) expenditures	( 2,869)	( 2,869)	34,041	36,910
<b>Other financing sources:</b>				
Transfer in	<u>43,102</u>	<u>43,102</u>	<u>-</u>	<u>( 43,102)</u>
Excess of revenues and other financing sources over expenditures	40,233	40,233	34,041	( 6,192)
Fund Balance at beginning of year	<u>44,375</u>	<u>44,375</u>	<u>44,375</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 84,608</u>	<u>\$ 84,608</u>	<u>\$ 78,416</u>	<u>\$ (6,192)</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**  
**COMBINING SCHEDULE OF NET ASSETS**  
**WATER AND SEWER FUNDS**  
**DECEMBER 31, 2005**

	Unrestricted Water & Sewer Fund	Capital Replacement	Utility Bond Debt	1995 Bond Debt
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 938,355	\$ -	\$ -	\$ -
Accounts receivable	747,864	-	-	-
Inventory	26,328	-	-	-
Due from other funds	254	-	-	-
Total Current Assets	<u>1,712,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Restricted Assets:</b>				
Cash and cash equivalents	-	1,075,876	402,510	172,260
Special assessment receivable	-	155,453	6,134	133,520
Due from other funds	-	349,689	-	64,252
	<u>-</u>	<u>1,581,018</u>	<u>408,644</u>	<u>370,032</u>
<b>Property, Plant and Equipment:</b>				
Buildings	141,136	-	-	-
Equipment	831,802	-	-	-
Mains and extensions	18,142,758	-	-	-
	<u>19,115,696</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less - accumulated depreciation	(7,787,726)	-	-	-
	<u>11,327,970</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>13,040,771</u>	<u>1,581,018</u>	<u>408,644</u>	<u>370,032</u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	381,272	-	-	-
Accrued expenses	5,545	-	-	-
Due to other funds	349,689	-	-	-
Total Current Liabilities	<u>736,506</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current Liabilities - (Payable from restricted assets):</b>				
Accounts payable	-	-	456	-
Bonds payable (current portion)	-	-	50,000	90,000
Accrued interest	-	-	2,875	5,029
Due to other funds	-	85,866	64,250	-
	<u>-</u>	<u>85,866</u>	<u>117,581</u>	<u>95,029</u>
<b>Long-Term Liabilities (less current portions):</b>				
Bonds payable	-	-	150,000	260,000
Advance from other funds	53,019	-	-	-
Accrued vacation and sick	46,338	-	-	-
Total Long-Term Liabilities	<u>99,357</u>	<u>-</u>	<u>150,000</u>	<u>260,000</u>
Total Liabilities	<u>835,863</u>	<u>85,866</u>	<u>267,581</u>	<u>355,029</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related debt	11,327,970	-	-	-
Reserved - Equipment Replacement	-	1,495,152	-	-
Debt Retirement	-	-	141,063	15,003
Unrestricted	876,938	-	-	-
Total Net Assets	<u>\$ 12,204,908</u>	<u>\$ 1,495,152</u>	<u>\$ 141,063</u>	<u>\$ 15,003</u>

Restricted 1999 Bond Debt	Brace/Tice Construction	Brace/Tice Bond Debt	Total Restricted	Total	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 938,355	\$ (349,689)	\$ 588,666
-	-	-	-	747,864	-	747,864
-	-	-	-	26,328	-	26,328
-	-	-	-	254	-	254
-	-	-	-	1,712,801	(349,689)	1,363,112
211,608	2,575	14,778	1,879,607	1,879,607	349,689	2,229,296
140,075	-	252,454	687,636	687,636	-	687,636
-	6,414	79,452	499,807	499,807	(499,807)	-
351,683	8,989	346,684	3,067,050	3,067,050	(150,118)	2,916,932
-	-	-	-	141,136	-	141,136
-	-	-	-	831,802	-	831,802
-	-	-	-	18,142,758	-	18,142,758
-	-	-	-	19,115,696	-	19,115,696
-	-	-	-	(7,787,726)	-	(7,787,726)
-	-	-	-	11,327,970	-	11,327,970
351,683	8,989	346,684	3,067,050	16,107,821	(499,807)	15,608,014
-	-	-	-	381,272	-	381,272
-	-	-	-	5,545	-	5,545
-	-	-	-	349,689	(349,689)	-
-	-	-	-	736,506	(349,689)	386,817
-	8,989	-	9,445	9,445	-	9,445
45,000	-	15,000	200,000	200,000	-	200,000
4,861	-	3,706	16,471	16,471	-	16,471
2	-	-	150,118	150,118	(150,118)	-
49,863	8,989	18,706	376,034	376,034	(150,118)	225,916
335,000	-	345,000	1,090,000	1,090,000	-	1,090,000
-	-	-	-	53,019	-	53,019
-	-	-	-	46,338	-	46,338
335,000	-	345,000	1,090,000	1,189,357	-	1,189,357
384,863	8,989	363,706	1,466,034	2,301,897	(499,807)	1,802,090
-	-	-	-	11,327,970	105,864	11,433,834
-	-	-	1,495,152	1,495,152	-	1,495,152
(33,180)	-	(17,022)	105,864	105,864	(105,864)	-
-	-	-	-	876,938	-	876,938
\$ (33,180)	\$ -	\$ (17,022)	\$ 1,601,016	\$ 13,805,924	\$ -	\$ 13,805,924

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**WATER AND SEWER FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Unrestricted Water & Sewer Fund	Capital Replacement	Utility Bond Debt	1995 Bond Debt
<b>Operating Revenues:</b>				
Licenses and permits	\$ 1,400	\$ -	\$ -	\$ -
Charges for services - user charges	2,498,370	144,001	-	-
Penalty on delinquent accounts	28,028	94	-	3,340
Other revenue	8,700	-	-	-
Total Operating Revenues	<u>2,536,498</u>	<u>144,095</u>	<u>-</u>	<u>3,340</u>
<b>Operating Expenses:</b>				
Salaries and fringes	556,961	-	-	-
Water purchases	963,984	-	-	-
Sewer plant charges	756,598	-	-	-
Supplies	52,240	2,050	-	-
Utilities	43,495	-	-	-
Repairs and maintenance	52,378	7,801	-	-
Gas and oil	19,623	-	-	-
Professional services	27,467	-	-	-
Other	22,712	-	-	-
Depreciation	340,619	-	-	-
Total Operating Expenses	<u>2,836,077</u>	<u>9,851</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(299,579)</u>	<u>134,244</u>	<u>-</u>	<u>3,340</u>
<b>Non-Operating Revenues (Expenses):</b>				
Tap and privilege fees	334,519	-	-	-
Special assessments	-	-	7,524	-
Interest earned on -				
Special assessments and privilege fees	-	12,946	15	12,009
Cash and investment revenue	18,563	18,424	8,229	2,907
Interest expense and paying agent fees	-	-	(13,562)	(24,759)
Total Non-Operating Revenues (Expenses)	<u>353,082</u>	<u>31,370</u>	<u>2,206</u>	<u>(9,843)</u>
Net Income (Loss) Before Transfers	<u>53,503</u>	<u>165,614</u>	<u>2,206</u>	<u>(6,503)</u>
<b>Transfers:</b>				
Transfer In	482,423	309,519	-	-
Transfer Out	<u>(309,519)</u>	<u>(137,851)</u>	<u>-</u>	<u>-</u>
	<u>172,904</u>	<u>171,668</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	226,407	337,282	2,206	(6,503)
Net assets at beginning of year	<u>11,978,501</u>	<u>1,157,870</u>	<u>138,857</u>	<u>21,506</u>
Net Assets end of year	<u>\$ 12,204,908</u>	<u>\$ 1,495,152</u>	<u>\$ 141,063</u>	<u>\$ 15,003</u>

Restricted						
1999 Bond Debt	Brace/Tice Construction	Brace/Tice Bond Debt	Total Restricted	Total	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,400	\$ -	\$ 1,400
-	-	-	144,001	2,642,371	-	2,642,371
-	-	-	3,434	31,462	-	31,462
-	1,200	-	1,200	9,900	-	9,900
-	1,200	-	148,635	2,685,133	-	2,685,133
-	-	-	-	556,961	-	556,961
-	-	-	-	963,984	-	963,984
-	-	-	-	756,598	-	756,598
-	-	-	2,050	54,290	-	54,290
-	-	-	-	43,495	-	43,495
-	-	-	7,801	60,179	-	60,179
-	-	-	-	19,623	-	19,623
-	-	-	-	27,467	-	27,467
207	794	24	1,025	23,737	-	23,737
-	-	-	-	340,619	-	340,619
207	794	24	10,876	2,846,953	-	2,846,953
(207)	406	(24)	137,759	(161,820)	-	(161,820)
-	-	-	-	334,519	-	334,519
-	-	(3,772)	3,752	3,752	-	3,752
9,388	-	14,744	49,102	49,102	-	49,102
1,444	1,857	884	33,745	52,308	-	52,308
(20,243)	-	(13,919)	(72,483)	(72,483)	-	(72,483)
(9,411)	1,857	(2,063)	14,116	367,198	-	367,198
(9,618)	2,263	(2,087)	151,875	205,378	-	205,378
-	85,866	-	395,385	877,808	(877,808)	-
-	(430,438)	-	(568,289)	(877,808)	(877,808)	-
-	(344,572)	-	(172,904)	-	-	-
(9,618)	(342,309)	(2,087)	(21,029)	205,378	-	205,378
(23,562)	342,309	(14,935)	1,622,045	13,600,546	-	13,600,546
\$ (33,180)	\$ -	\$ (17,022)	\$ 1,601,016	\$13,805,924	\$ -	\$13,805,924

## **FIDUCIARY FUNDS**

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**AGENCY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Current Tax Collection	Other Tax Collection	Imprest Payroll	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,480,928	\$ 498	\$ -	\$ 1,481,426
Prepaid expense	-	-	45,163	45,163
Due from other funds	31,486	-	-	31,486
	<u>\$ 1,512,414</u>	<u>\$ 498</u>	<u>\$ 45,163</u>	<u>\$ 1,558,075</u>
<b>Liabilities:</b>				
Accrued payroll taxes and employee benefits	\$ -	\$ -	\$ 1,688	\$ 1,688
Due to other governmental units	-	-	11,989	11,989
Due to other funds	-	-	31,486	31,486
Undistributed taxes and interest	1,512,414	498	-	1,512,912
	<u>\$ 1,512,414</u>	<u>\$ 498</u>	<u>\$ 45,163</u>	<u>\$ 1,558,075</u>





**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Supervisor and Members of  
The Township Board  
Charter Township of Fort Gratiot  
St. Clair County, Michigan

We have audited the financial statements of the Charter Township of Fort Gratiot, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon, dated February 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Fort Gratiot, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We have, however, noted certain other matters that we reported to management of the Charter Township of Fort Gratiot, Michigan's in a separate letter dated February 24, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Fort Gratiot, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters, which are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, administration and the Township Board, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stewart, Beauvois & Whipple*  
Certified Public Accountants

February 24, 2006



## MANAGEMENT LETTER

To the Supervisor and Members of  
the Township Board  
Charter Township of Fort Gratiot  
St. Clair County, Michigan

As you know, we have recently completed our audit of the basic financial statements of the Charter Township of Fort Gratiot as of and for the year ended December 31, 2005. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the Township's recordkeeping system or compliance with laws and regulations. These suggestions are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in our *Report on Internal Accounting Controls*, these weaknesses were not considered material in relation to the basic financial statements of the Charter Township of Fort Gratiot.

**All journal entries should be supported by documentation.**

During our audit, it was noted that a number of the journal entries tested did not have supporting documentation attached. The accounting personnel, in most cases, were eventually able to provide documentation, or they provided adequate explanation to support the entries.

To strengthen controls, we recommend that all journal entries be accompanied by a full explanation and/or supporting documentation.

**The payroll and accounts payable bank accounts should be maintained on the imprested basis.**

Although the Township has separate bank accounts established for the processing of account payable and payroll, the accounts both have significant cash balances in them. Controls could be enhanced by maintaining the accounts at a specific balance, \$1,000 or \$5,000, and then transferring the exact amount of the checks into the accounts when checks are written. The accounts should be reconciled back to the same amount each month.

**Transfers to the payroll bank account should be supported by documentation from the payroll system.**

At the current time, when payroll is prepared, a list of checks to employees is provided to the Treasurer with the amount that needs to be transferred to the payroll account written on the bottom. The request to be transferred is more than the checks to cover the Township's share of payroll taxes. It is our understanding that the system produces a printout documenting the amount to be transferred.

To increase controls, we suggest that the Treasurer's office be provided a copy of this report to document the transfer to the payroll account.

**The Township should consider amending its investment policy.**

During the year, a new GASB Statement, GASB No. 40, became effective for all governmental units. The Statement requires that the governmental units disclose additional information regarding the types of investments held, length of maturity, securities rating, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current Township investment policy be reviewed and modified to address each type of risk.

These conditions were considered in determining the nature, timing and extent of the audit tests applied in our audit of the December 31, 2005 financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information of the audit committee, administration and the Township Board of the Charter Township of Fort Gratiot, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

February 24, 2006